

TO: Joint Committees on Budget and Transportation

FROM: Natalie Iwasa
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MEETING: Tuesday, October 2, 2017

SUBJECT: Resolution 17-266, HART Recovery Plan – OPPOSED

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2017 OCT -5 AM 7:10

Aloha Chairs Manahan and Anderson and Committee Members,

Following is my testimony regarding Resolution 17-266, which approves the Recovery Plan HART submitted to the FTA on September 15, 2017. A full council meeting is scheduled just three days after this joint committee meeting. This plan is being rushed through the approval process without adequate discussion and public input. Why?

During the August 31, 2017, joint Budget and Transportation Committee meeting, Mayor Caldwell testified that the cancellation of the request for proposal (RFP) bid for the City Center Guideway and Stations will result in a minimum 18 month delay and that any potential savings from a P3 (public-private partnership) will have to generate at least \$260 million in savings in order to break even (due to increased costs associated with the delay).

It appears to me that the 18-month delay has not been factored into the recovery plan, and the \$260 million in savings has not been mentioned in the P3 discussion. (Note that HART states a P3 is “not workable” on page 114. The RFI should be reviewed and clarified.) According to HART’s February 2017 Monthly Progress Report, the revenue service date (RSD) was December 2025. The announcement that the RFP was cancelled came in August, but the recovery plan still indicates a December 2025 RSD. It should be noted that **even the Project Management Oversight Contractor (PMOC) has doubts about the December 2025 RSD. In addition, they “are not confident that the EAC for the capital costs of the project will remain at \$8.2 billion. (“EAC” is estimated at completion.)** See the attached page 6 from their report for their concerns.

If the RSD is incorrect, the projections in the plan are likely incorrect. This is a significant issue that should be resolved prior to approval of the plan.

Additional Discussion Needed

Changes to Reduce Costs

Page 55, Figure 4-2 and Figure 4-3 list project scope changes and potential cost reductions. Several of these changes are significant and deserve more discussion. For example, the Pearl Highlands Station Parking Garage will be deferred “until additional funding is identified.” This parking garage was eliminated from the plans by former CEO Grabauskas and brought back after a couple of board members stated the garage is a very important component of the project. What impact will removing this garage have on ridership?

I'm not sure HART or the city have the authority to follow through with some of the suggestions noted for potential cost reductions. In any case, the Council and public should understand the impacts of these changes.

Ridership

Page 87, Sec. 7.3.2.3 includes an update on ridership using a "more robust regional planning model." Combined ridership was estimated to be 258,000 daily; now it's 279,000 for first full year. The initial rail ridership numbers were too optimistic. Given fare increases, which are comparable to the consumer price index (that in itself is questionable), do these numbers seem reasonable? Or will bus ridership fall off when fares increase, and how much will the taxpayer subsidy increase?

Errors in the Plan

Figure 6-1 The "All other" source of funding is listed as only \$7 million. It should be at least \$13 million. ARRA funding was \$4 million, and interest income through FYE June 30, 2016, was over \$9 million.

Issuance costs related to the \$350 million in bonds in FY 2018 should be \$1 million rather than \$0.

The total for the city subsidy is listed as \$160 million, but it actually adds up to \$161 million.

Table 6-2 The "All other" source of funding is consistent with Figure 6-1 and is therefore incorrect.

"Additional Funds" of \$54 million should be included as city subsidy. The legislature had estimated city funding to be \$432 million for purposes of SB4.

Table 6-5 The city subsidy is noted as \$160 million in the narrative, but the amount in the table adds up to \$161. In addition, now that the surcharge has been extended to 2030, will there be zero administrative costs for the last three years?

Table 6-7 The baseline project costs do not add up to the total shown. The amount should be \$8,165,054,327 rather than \$8,165,084,000.

Other Comments, some of which may not have been mentioned during the meeting.

1.1 Introduction - if the city had done an archaeological inventory study correctly in the beginning, there wouldn't have been a delay.

Page 21 Milestones should include the charter amendment vote in November 2016 to move rail operations and maintenance from HART to the city.

A "Resolved" paragraph indicates the approval of the plan "substantially in the form attached." While councilmembers may make changes to this resolution at a later date, this plan should not be approved now. There are too many issues that need further discussion.

the utilities for the CCGS DB contract. In particular, the undergrounding of the HECO lines is of concern. HART intends to complete the design and incorporate signed drawings into the package. HART staff is reviewing the sequencing of design activities to determine whether the design schedule can be accelerated. The PMOC received an updated MPS in July 2017, and is using that version for the assessment of the schedule.

- HART provided the requested documents to support their MPS and EAC in August 2017. The PMOC is currently reviewing the information provided by HART. However, the PMOC has concern that HART's estimated RSD of December 2025 cannot be accomplished since the MPS does not reflect the current status of the CCGS DB Contract. In addition, a revised baseline schedule for the CSC DBOM has not been approved yet since HART cannot provide definitive dates for Core System Contract guideway and station access dates. Until these dates can be provided to the CSC, the contract schedule cannot be finalized. As a result of the uncertainty with the MPS and associated factors impacting costs, the PMOC is not confident that the EAC for the capital costs of the project will remain at \$8.2 billion.

RSD = revenue service date
MPS = master project schedule
CCGS = city center guideway & stations
DB = design build
DBOM = design build operate & maintain
CSC = core systems contract(or)
EAC = estimate at completion

- HART has developed a risk management program with support from its Program Management Consultant. HART submitted a DRAFT update of RCMP on March 31, 2017. PMOC review comments were provided on April 17, 2017. HART submitted a REVISED DRAFT in July 2017.
- The FTA and PMOC have recommended that HART consider performing a Technical Peer Review for the remaining contracts to identify opportunities to contain costs and mitigate risks. HART is preparing to hold a second Peer Review that addresses technical aspects of the project. They would primarily focus on the AGS, CCGS, and CSC contracts. HART has tentatively planned for the review to occur in fall of 2017, but no date has been established.
- Hawaiian Electric Company (HECO) Horizontal Working Clearances Analysis –
 - West Oahu/ Farrington Highway (WOFH) and Kamehameha Highway (KHG) Segments – HECO has indicated that alternative equipment will mitigate the need to move the majority of the 46kV and 138kV lines. However, approximately 1.5 miles of 138kV lines along WOFH and KHG must be under-grounded because the working clearance is insufficient with the alternative equipment. HART intends to complete this work using design-bid-build (DBB). The procurement documents for the design consultant are being prepared. It is anticipated that the design work could take two years. The duration for the construction work has not been determined. However, it is anticipated construction would begin after the start of Interim Revenue Service in December 2020. HART has acknowledged that utility work must be carefully designed and coordinated so as to not affect train operations. Costs for this work have been included in the EAC. HART does not have signed agreements with HECO to perform the work related to relocation of overhead transmission and distribution lines. HART and HECO